ORIGINAL

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.
SUMNER SQUARE
1615 M STREET N W
SUITE 400
WASHINGTON D C 20036-3209

(202) 326-7900
FACSIMILE.
(202) 326-7999

EX PARTE

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 13, 2002

Ex Parte Presentation

Marlene H. Dortch. Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Application by SBC Communications Inc., et al. for Provision of In-Region, InterLATA Services in California.* WC Docket No. 02-306

Dear Ms. Dortch:

On behalf of SBC Communications Inc. ("SBC"), I am writing to inform you that representatives of SBC met yesterday (both in person and on the telephone) with FCC staff to respond to various questions relating to operation support systems, performance measurements, shared transport, and billing. The following people participated on behalf of the FCC: John P. Stanley, Renee R. Crittendon, Daniel R. Shiman, Pamela Arluk, Connie Hillmer, Gary Schonman, Terry Reideler, and Brad Koerner.

The following people participated on behalf of SBC: Rebecca L. Sparks. Jared Craighead, Jan S. Price, Andrew Montalvo, Martin E. Grambow, James B. Young, Kelly M. Murray, Robert J. Gryzmala, Travis M. Dodd, Stephen D. Huston, Brian D. Letson, Beth Lawson, Gwen S. Johnson, Terry Gleason, George S. McClain, William C. Deere, Bill Bockelman, Michael E. Flynn, Mark S. Chamberlain, Ginger L. Henry, Colleen L. Shannon, Cynthia G. Marshall, John Scarborough, Colin S. Stretch, Scott H. Angstreich, and Geoffrey M. Klineberg.

At the request of FCC staff, I am attaching a written response addressing a few of the issues that were discussed during yesterday's meeting. The attached response contains some confidential information. Accordingly, pursuant to the Commission's rules governing confidential communications, I am enclosing one copy of this letter attaching the confidential material. Inquiries regarding access to this confidential material should be addressed to Jamie

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Ex Parte Presentation

Williams, Kellogg, Huber, Hansen, Todd & Evans, PLLC, 1615 M Street, N.W., Suite 400, Washington, D.C., 20036, (202) 367-7819.

In addition, Rebecca L. Sparks and Jared Craighead had a separate conversation with Aaron Goldschmidt yesterday regarding the recent proposed amendment offering reduced DS3 rates.

Finally, Rebecca L. Sparks, Jared Craighead, and Geoffrey M. Klineberg participated on a conference call today with Rhonda Lien and Aaron Goldschmidt to discuss hot-cut rates in California and Texas. **A** comparison of those rates is included in the attachment to this letter.

In accordance with this Commission's Public Notice, **DA** 02-2333 (Sept. 20, 2002), SBC is filing the original and two copies of the redacted version of this letter and its attachment. Thank you for your assistance in this matter.

Thank you for your kind assistance in this matter

Sincerely,

Geoffre . Klineberg

Attachment

cc: John **P.** Stanley
Renee R. Crittendon
Aaron Goldschmidt
Rhonda Lien
Tracey Wilson
Lauren J. Fishbein
Brianne Kucerik
Phyllis White
Qualex International (Redacted version only)

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Shared Transport – IntraLATA Toll

Pacific offers CLECs two options for routing and terminating end-user intraLATA toll traffic over shared transport when the CLEC uses an unbundled local switch ("ULS") port purchased from Pacific. As described in the opening affidavits of William C. Deere and Colleen L. Shannon,' Pacific provides CLECs the option of utilizing Pacific's shared transport facilities to complete intraLATA toll calls pursuant to Customized Routing Option C. In addition, as set forth in Ms. Shannon's reply affidavit,' on October 17,2002, Pacific voluntarily offered an additional alternative to CLECs for the completion of intraLATA toll calls over Pacific's shared transport.[3]

The first option – Customized Routing Option C, which the CPUC ordered as part of the AT&T arbitration[4] – provides CLECs the flexibility to customize the routing of their traffic. No CLEC has implemented this option in California, so the details about how this option would be implemented, which depend on the particular customized routing needs of the CLEC, are necessarily uncertain. Nevertheless, we can provide a basic explanation of the manner in which this option could be implemented if a CLEC chose to do so. Customized Routing Option C is designed to allow a CLEC to route calls, on a Class-of-Call basis,[5] in a manner that differs from calls routed for Pacific retail customers in the same end-office switch. Under this option, CLECs may utilize unbundled dedicated transport, unbundled shared/common transport, or a combination of both, to route their end-users' calls, including their intraLATA toll calls. A CLEC can also request that its end-user traffic "overflow" to the Pacific network for call completion.

Customized Routing Option C requires the creation of a Virtual Telephone Exchange ("VTE") environment to establish the CLEC's Class-of-Cali "footprint" in each of the end-office switches out of which the CLEC operates, The VTE would then allow the CLEC to rely upon Pacific switch routing tables or, alternatively, to rely upon customized CLEC switch routing tables, either exclusively or in combination with Pacific's tables. In either case, the CLEC could direct its end-user's intraLATA toll traffic to Pacific's shared transport network and/or rely upon unbundled dedicated transport. In order to implement a VTE (as well as any CLEC customized routing tables), a CLEC must pay non-recurring charges, which are established on an individual

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I See Shannon Aff. ¶¶ 94 & 96 (App. A, Tab 20); Deere Aff. ¶ 123 (App. A, Tab 6).

2 See Shannon Reply Aff. ¶ 15 & Attachs. A & B (Reply App., Tab 14).

3 For CLECs that do not utilize either Customized Routing Option C or the October 17, 2002 offering, there are two methods that Pacific provides for the transport of CLEC end-user's intraLATA toll calls. First, Pacific offers an exchange access service that utilizes Pacific's interexchange trunk groups and tandem switching to transmit intraLATA (as well as interLATA) toll traffic from a CLEC end-user's ULS port to a designated interexchange carrier's ("IXC") network, which is selected by the CLEC on a ULS-port-by-ULS-port basis by designating an appropriate IXC carrier identification code ("CIC"). Second, Pacific offers its retail intraLATA toll service, which utilizes Pacific's network to originate and terminate intraLATA toll traffic. Again, a CLEC may select this option on a ULS-port-by-ULS-pon basis by designating the appropriate Pacific CIC code.

4 See AT&T Agreement, Attach. 6 – UNE § 6.5.3 (App. B, Tab 3).

5 The basic "Class of Call" trafic types are: (a) Operator Services; (b) Directory Assistance; (c) Local Exchange; and (d) Exchange Access (Toll).

case basis ("ICB").[6] Applicable UNE switching and transport minute-of-use ("MOU") charges would also apply pursuant to the terms of the parties' interconnection agreement.

The second option – the October 17,2002 offering – permits CLECs to route end-users' intraLATA toll calls on Pacific's unbundled shared transport utilizing the same facilities, including interexchange trunk groups and tandem switching, that Pacific uses to route intraLATA toll calls originated by its retail end-users. This capability **is** made available to CLECs through the use of an internal, administrative Pacific CIC as the local presubscribed interexchange carrier ("LPIC") designation on a ULS-port-by-ULS-port basis. Standard non-recurring service order and channel connection charges will apply, which are dependant upon the nature of the order (e.g., new combination, migration, simple LPIC change). Applicable UNE switching and transport charges would apply on a MOU basis – as with Customized Routing Option C. Thus, the new offering is administratively simpler and requires less "upfront" work and expense. From a CLEC's perspective, this offering is functionally equivalent to that provided by Southwestern Bell Telephone Company in Texas as ordered by the Texas Public Utilities Commission.[7]

It should also be noted that Customized Routing Option C and the new offering are not mutually exclusive. For example, a CLEC could request that its OS/DA traffic be custom routed to its own or to a third-party's OS/DA Platform, while simultaneously requesting that its intraLATA toll traffic be routed under the new offering utilizing Pacific shared transport on a ULS-port-by-ULS-port basis.

Additional Information Regarding ESBA-Level Adiustments

SBC's reply noted that ESBA-level manual billing adjustments for Vycera were not captured in September 2002 results for Performance Measure 34. See Flynn/Henry/Johnson Joint Reply Aff. ¶ 42 (Reply App., Tab 5). SBC has since determined that ESBA-level billing adjustments to correct for past inaccurate billing also were not included in Measure 34 resale results for May through August.[8] To properly capture and report this data in the future, beginning with October data, Pacific's billing group will electronically query the Enterprise Data Warehouse ("EDW") database for information on ESBA adjustments, and forward that information to the performance measurement organization ("PMO") for inclusion in Measure 34 results.

6 See AT&T Agreement, Attach. 6 – UNE § 6.5.3.2 (App. B, Tab 3)

7 As set forth in Ms. Shannon's Reply Affidavit, the first executed amendment with a CLEC reflecting the new offering was filed with the CPUC on October 28,2002. See Shannon Reply Aff. ¶ 15 n.11. In accordance with CPUC practice, the amendment shall be deemed automatically effective 30 days thereafter unless protested. See id. Attach. B, ¶ 10.

8 Subsequent to filing its reply comments, Pacific continued its "root cause" analysis into why the Vycera data was not picked up in the Measure 34 results for September. As a result of that review, Pacific determined that, while the LSC had taken initial steps to institute a process for manually conveying ESBA adjustment information to the PMO, no effective process had been implemented. Accordingly, contrary to what is stated in the Flynn/Henry/Johnson Joint Reply Affidavit (¶ 42), ESBA level adjustments were not manually added to Measure 34 results. The ability to pull electronically tracked ESBA adjustment data from the EDW was developed in conjunction with Pacific's investigation into the matters discussed in this letter.

Based on SBC's review to date, the amount of ESBA-level billing adjustments from May through August was nominal in both absolute terms, and as a percentage of resale billing and CLEC billing as a whole. Specifically, the ESBA adjustments Pacific has thus far determined should have been included in the Measure 34 results for May through August are set out below, together with what the total adjustments would have been had those amounts had been included:

Measure 34 (Resale)

	ESBA Adjustments	Total Adjustments
May-02	$8,800	$10,400
Jun-02	$5,400	$6,600
Jul-02	$5,200	$10,800
Aug-02	$6,500	$15,000

The level of credits for past billing inaccuracies — whether considering only the ESBA-level adjustments or all adjustments — is clearly not competitively significant. During the May through August 2002 time frame, Pacific billed all CLECs in California an average of roughly *** *** per month in CABS and CRIS-billed products, including approximately *** *** per month in resale billing. The total resale adjustments made during this same time frame amounted to less than 0.3 percent of resale billing, and less than 0.04 percent of total CRIS and CABS CLEC wholesale billing. See New Jersey Order ¶ 127 (error rate of 2-3% on wholesale bills not competitively significant).

Pacific also reviewed the impact of including these ESBA-level adjustments in the Measure 34 results for the months of May through August; the preliminary results of that review are set out below:

SBC Pacific Bell 271 Measure 34 - Resale Billing Accuracy			
		Reported	Current Evaluation
	Retail % Accuracy	Resale % Accuracy	Resale % Accuracy
May-02	99.67%	99.99%	98.54%
Jun-02	99.71%	99.98%	99.13%
Jul-02	99.71%	99.93%	99.66%
Aue-02	99.73%	99.92%	99.43%

As this data demonstrates, in three out of the four months in question, Pacific's performance on billing accuracy remains at better than 99%, while fully accounting for ESBA adjustment amounts. In the only month where this is not the case (May), the statistical change is only approximately 1.5% – from 99.99% to 98.54%. Thus, while Measure 34 results may be statistically impacted by inclusion of the ESBA adjustments, Pacific's actual performance remains excellent.

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As noted in its reply filing, Pacific determined in December 2001 (in response to a billing dispute submitted by Vycera) that resellers had been double billed for custom calling features on single line accounts from December 1999 through December 2000. <u>See</u> Flynn/Henry/Johnson Joint Reply Aff. ¶ 32. The manual adjustments for the double billing error posted to Vycera's bills in September 2002. <u>Id.</u> ¶ 35. **As** a result, preliminary resale billing adjustments for September ($142,000 total, with *** *** constituting ESBA level adjustments, almost all of which applied to Vycera billing) were much larger than in previous months. This unusual event will result in a resale percentage accuracy for Measure 34 of approximately 93.5%. Pacific has determined it will make Measure 34 performance data restatements for May – September, effective with the normal November 20 posting date.[9]

<u>Billing Dispute Resolution Process</u>

The Flynn/Henry/Johnson reply affidavit illustrates the reasons why some billing disputes require more time to resolve than others. For instance, the Vycera double billing and resale discount disputes required significant time to resolve, due to the system changes and the volume of bills impacted. Complex disputes submitted by CLECs that require research covering long periods of time, numerous bills, and large numbers of items to be reviewed within those bills simply take longer to resolve. Similarly, CLECs that chose to pursue resolution of their billing disputes outside Pacific's established processes (for instance, going to the CLEC User Forum rather than to the LSC billing team) may also extend the time frame required to reach resolution on the issue. And, finally, when billing disputes relate to interconnection agreement terms rather than billing errors, additional time can be required to determine the status of a particular claim.

<u>Pacific's Test Environment</u>

In its reply comments, AT&T complains that during the week of October 20, it received rejects on LSRs requesting the conversion of one of its end-user accounts from UNE-P to UNE Loop. The LSRs included directory listing information even though AT&T was not requesting a modification to the end-user's current listing. AT&T's Willard Reply Aff. ¶ 9. AT&T received this reject because the end user already had an existing main directory listing and the business rules for Pacific's LSOR version 3.06 required the CLEC to remove the existing main listing before adding a new one. AT&T contends that, because it did not receive a reject when it submitted similar test orders into Pacific's test environment, the test environment does not mirror production. That is not the case.

9 While evaluating the impact of ESBA level adjustments on Measure 34 results, Pacific determined that the retail standard deviation it used to calculate results for both resale and UNE POTS was incorrect. Although there was no change to the underlying UNE POTS billing accuracy data, application of the corrected retail standard deviation impacted measurement results. Although the changes in results are statistical in nature rather than performance related, Pacific also will restate its results Measure 34 results for UNE POTS for May through September.

In order to ensure a successful test, section 4.2 of the Joint Test Plan, which is provided in the OSS section of the CLEC Online website,[10] specifically states as follows:

> The specific test cases to be used will be based on the CLEC's requirements and will be provided on the test case worksheet by the CLEC. The CLEC will provide specific details that describe what the test case requires. Detailed examples should describe the test case as a residence or business account, single or multi-line account, an account to be tested for directory listings, REQTYP and ACTivity, and/or a DSL or line-sharing account, the state (when applicable) to be tested in, the expected results (FOC/SOC) ... (emphases added).

AT&T did not submit a test case worksheet indicating that it planned to submit UNE-P to UNE Loop migrations on lines with existing main directory listings. If that information had been provided, Pacific would have loaded the test environment with appropriate directory information, and AT&T would have received the exact same reject on its test cases that it subsequently received in the production environment (assuming the test cases were submitted in the same manner as the production orders).

Although Pacific typically does not make enhancements to prior EDI versions, effective November 13,2002, Pacific removed this edit from LSOR version **3.06,** so that AT&T could replace main directory listing information on a migration of its existing customer without first removing the existing main listing. This enhancement had already been implemented in LSOR versions 5.00 and higher. Accordingly, AT&T should no longer receive a reject on this type of transaction in either the production environment or the test environment.

Hot-Cut Rates

On October 11,2002, SBC submitted an ex parte presentation in the "Triennial Review Proceeding" – Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket No. 01-338 – inwhich it provided a comparison of the hot-cut charges per line in various states within SBC's region. We have reproduced below the comparison of the Texas and California hot-cut rates:

[10] The Joint Test Plan is utilized for testing of LSOR versions already in production. Section 4.2 of this Plan **is** virtually identical to the same provision in the Release Test Plan, which **is** utilized for testing of forthcoming releases during the test window. See Huston/Lawson Joint **Aff.** Attach. DD (App. **A,** Tab 11).

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HOT CUT CHC CHARGES PER LINE

STATE	1 Line Per Order		2 Lines Per Order		3 Lines Per Order		4 Lines Per Order		8 Lines Per Order	
CA										
CHC T&M + Loop connect per order	$	73.04	$	85.71	$	134.70	$	147.37	$	198.05
CHC (T&M)	$	54.48	$	54.48	$	90.80	$	90.80	$	90.80
Loop Connect	$	18.56	$	31.23	$	43.90	$	56.57	$	107.25
CHC + Loop connect + service order per line	**$**	**73.04**	**$**	**42.86**	**$**	**44.90**	**$**	**36.84**	**$**	**24.76**
TX										
CHC T&M + Loop connect + service order per order	$	103.37	$	152.47	$	158.69	$	164.91	$	232.67
CHC (T&M)	$	85.76	$	128.64	$	128.64	$	128.64	$	171.52
Loop Connect	$	15.03	$	21.25	$	27.47	$	33.69	$	58.57
Service Order	$	2.58	$	2.58	$	2.58	$	2.58	$	2.58
CHC + Loop connect + service order per line	**$**	**103.37**	**$**	**76.24**	**$**	**52.90**	**$**	**41.23**	**$**	**29.08**